LICENSE PLATE AUCTION GROUP (LPAG)

Colorado Department of Revenue 1881 Pierce, Room 110, Lakewood Colorado January 28, 2012

Minutes to the Meeting

Members in Attendance: Maren Rubino (chair), Rich Medina, Kelly Perez, Mark Simon, Dave Ferrill

(secretary),

By telephone: Gina Robinson, Jonathon Oliver and Bob Gall Guests in Attendance: Aaron Kennedy, James Eklund, Peter Pike

CONVENE:

The meeting was convened by Maren at 10:03 a.m.

Approval of September and November Minutes

On motions by Rich and Mark, respectively, the minutes to the meetings of September 24, 2012 and November 26, 2012 were approved by unanimous vote of the board. The approval of the December 17, 2012 minutes was carried over to the next meeting.

NEW BUSINESS:

LPAG Objectives Discussion

Dave introduced a discussion about the scope of work of the LPAG, its past consideration of a contractor to take administrative responsibility for the LPAG work program, and the overall strategic direction of the program.

The points made during the discussion were as follows:

- The report by Rebound Solutions, reviewed by the LPAG at its September meeting, identified some problems with the group's business model, as established by its enabling statutes. The meeting today grew out of that analysis, as well as conversations with the State's Chief Marketing Officer, Aaron Kennedy, and is intended to re-examine the group's charter and its efforts going forward.
- The origin and basic framework of the LPAG effort, as summarized by Mark Simon and discussed by the group:
 - o Objective of LPAG effort: address delay in approval for SSI/Medicaid benefits for eligible candidates.
 - o Learned of value of unique license plates; in other states, auctions generate significant revenues.
 - o In Colorado, "retired" plates with potentially attractive combinations cannot be reissued or reused.
 - The LPAG does have authority to use 0-9 and A-Z plates on single-digit plates; another 61 combinations have also be identified and reserved.
 - A rule would be needed to use previously issued plates not currently in use.
 - The enabling legislation says LPAG can identify and auction historically issued plates.
 - If a plate is acquired by auction, the purchaser can return it to LPAG for re-auction, with 75% of proceeds going to the owner of the plate and 25% to the LPAG. The LPAG cannot sell plates from the previous system.
 - Proposed legislation for 2013 could give LPAG the ability to create budget-neutral incentives for the acquisition of valuable plates from the current owners of those plates.
 - Another possible issue is the tax-deductibility of plates purchased through auction.
- The hiring of a contractor has always been envisioned as the mechanism to develop a marketing campaign to develop awareness; the LPAG would serve as a governing body.
- An on-line auction site is currently envisioned ... or at least a possibility; also considered is a televised event, along with celebrity auctioneers; the LPAG will want to consult with someone from the auction industry.

- The 2013 legislation proposes adding two public members to the LPAG, and also one person from an entity that does advocacy services.
- The legislation says LPAG gets the first \$1.5M raised annually through auction activity, the next \$2.5M goes to the General Fund, anything after that comes back to LPAG.
- The actual dissemination of program funds will be the responsibility of the Disability Benefits Contract Commission (Dept. of Personnel and Administration).
- From its origins, this group was intended to be flexible in its business operation and to operate more in an "enterprise" mode, similar to the Lottery, Pinnacol Assurance or University Hospital.
- A principal obstacle for getting the LPAG effort underway is start-up resources the funds to hire a contractor and do advertising; the estimate is \$65K would be needed for a contractor for five months, another \$20K for advertising.
- The LPAGF campaign will only be as successful in raising money as awareness is broad, such as in looping in international audiences.
- The acquisition of plates is not really a purchase of the plates themselves, but the right to use the combination of letters/numbers; one does *not* need to own a car in CO to buy plates, but you must be a resident to have the plates made with that combination and put it on an automobile. Ultimately, what we're selling is the *right to use* combinations.
- Anyone can purchase memorabilia plates with any combination they desire, but obviously cannot be displayed on an automobile.
- Some candidates have been considered as the contractor ... the issue is the funding.
- There is a funding committee that has met recently. Their ideas included:
 - o Have a preliminary sale to some high-profile business or organization;
 - Do an online auction with a minimum bid (but this has a downside if higher bids aren't forthcoming);
 - Pursue non-profit grants;
 - Ask the JBC for State funds;
 - The loan option as the LPAG is authorized to pursue a loan;
 - Borrowing from the State treasury, with approval of the Governor/State Controller.
- One source for a start-up grant has expressed interest.
- The absolute requirement for any fund-raising effort is having a sound fundamental plan; the next logical step being to search for vendors who could perform this scope of work and get their proposals.
- The "deliverables" for a vendor contract have already been developed.
- Aaron suggested he would assist in helping devise a contract, or an RFI, as this is an area in which he has
 some expertise. The scope of work needs to be refined, as well as the deliverables; appropriate candidates
 for the contract need to be identified and solicited. The process could then focus on two or three top
 candidates for presentation, which might also include potential lenders.
- Aaron reiterated that money comes when you have a good plan, but resources will always be the starting point. There might be some "creative" lending options, e.g., the involvement of the vendor in start-up finances, with a premium to them if they take the risk.
- The possible affiliation with the CO Nonprofit Development Corp. was mentioned.
- The group discussed the distinction between Type I, Type II and Type III entities in State government.
- Peter Pike noted his research in other states' license auctions. In Texas, the contractor (myplates.com) has raised significant funding, but also takes a large share of the proceeds. This is not the same system as CO, but it is a framework that could be used for comparison.
- Research of other states' systems could parallel our RFI process.
- We could also ask respondents to provide research on alternative options.
- James Eklund, office of the Governor's Legal Counsel, summarized the areas he would research:
 - Business enterprises in CO and their ability to borrow from the State Treasury
 - o Research on the ability of some State enterprises Pinnacol, University Hospital to borrow money
 - The possibility of charging administrative fees to buyers to cover auction commissions.

- Aaron observed that:
 - The next order of business is to construct a thoughtful RFI;
 - We might ask candidates to include (to "embed") a person that both the Governor's Office and the LPAG mutually agree upon to be housed in the Governor's Office for administrative purposes;
 - There's the assumption that the same entity is putting the program together and managing it over time;
 - The RFI should detail all the problems we're trying solve and see what kinds of responses this elicits;
 - Getting the right person is perhaps the bigger issue than getting the money;
 - o Perhaps we need to weave a start-up vendor and a longer-term manager into the RFI.
 - o The core asset with LPAG is valuable, but can be built upon over time.
 - The RFI should detail a strategy about building awareness (and value) for our "prize gems."
 - What PR/social media techniques could be created to attract key buyers (high net-worth folks)
- With a great RFI that embodies all the challenges we've discussed, let's see if there are people who are will to tackle those. We also need to demonstrate we're looking for a "win-win" relationship with our vendor.
- Our next meeting could be devoted to drafting the RFI, with participation from appropriate resource people,
 e.g. Rebound Solutions.
- Maren concluded that we also need the appropriate entity to "own" the RFI from beginning to end.

OLD BUSINESS:

Legislative Update

Mark suggested the LPAG go into executive session for the discussion of the draft, and therefore still confidential, legislation concerning the work of the Group. On Dave's motion, the LPAG agreed to go into executive session of the a discussion of the draft bill.

Maren stated that the LPAG may want to select new people to perform the responsibilities of Chair and Secretary of the Group. She announced the next meeting would be on <u>February 25</u>.

Maren adjourned the meeting at 12:02 p.m.

<u>Submitted</u> – Dave Ferrill, Secretary